

Message Text

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ACTION OPIC-06

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 AID-05 TRSE-00

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC PRIORITY 8341

C O N F I D E N T I A L KINGSTON 2831

E.O. 11652: GDS

TAGS: EMIN, EINV, JM, US

SUBJECT: REVERE NEGOTIATIONS

REFS: (A) KINGSTON 2659; (B) KINGSTON 2579

1. REVERE VP AND LOCAL GENERAL MANAGER, NEIL O'DONNELL, HAS PROVIDED AT MY REQUEST FOLLOWING UPDATE ON REVERE'S NEGOTIATIONS WITH GOJ:

(A) SALE OF PLANT: REVERE PROPOSED 100 PERCENT GOJ BUYOUT AT PRICE \$83 MILLION. GOJ COUNTERED WITH \$60 MILLION OFFER. REVERE HAS COME DOWN TO \$75 MILLION, AND THERE MATTER RESTS AWAITING GOJ RESPONSE.

(B) PLANT SHUTDOWN: REVERE INFORMED GOJ IT LOSING APPROXIMATELY \$30,000 - DAY AND WOULD BE FORCED TO SHUT DOWN PLANT END OF THIS WEEK UNLESS GRANTED 100 PERCENT EXONERATION FROM BAUXITE LEVY, EXEMPTION FROM SCHEDULED 50 PERCENT INCREASE IN RAILWAY CHARGES, AND GUARANTEE OF WAGE FREEZE.

2. REVERE PRESIDENT, WILLIAM COLLINS, CALLED PM MANLEY JULY 21, AND THEY AGREED THAT IT WAS "IN INTEREST OF BOTH PARTIES TO CONTINUE PLANT OPERATION PENDING FINANCING." MANLEY AGREED, SUBJECT TO CABINET
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APPROVAL, TO CONCESSION REQUESTED WITH EXCEPTION OF WAGE

FREEZE. WITH THOSE TWO CONCESSIONS, COLLINS AGREED TO KEEPING PLANT OPEN UNTIL END OF YEAR, DURING WHICH TIME BUYOUT NEGOTIATIONS WILL CONTINUE. IF NO DEAL IS CONCLUDED BY THAT TIME, PLANT WILL CLOSE BUT REVERE WILL CONTINUE TO ENJOY 100 PERCENT RELIEF FROM BAUXITE LEVY.

3. O'DONNELL TOLD ME NOW "90 PERCENT OPTIMISTIC" DEAL WILL BE WORKED AND THOUGHT PROBABLE NEXT STEP WOULD BE FOR COLLINS TO RETURN TO JAMAICAN AND SIGN LETTER OF INTENT.

4. COMMENT: BOTH BAUXITE COMMISSION CHAIRMAN, PAT ROUSSEAU, AND BAUXITE NEGOTIATOR, MEYER MATALON, CURRENTLY ARE IN MEXICO. I WOULD NOT BE SURPRISED IF THEY WERE TRYING TO WORK OUT FINANCING WITH THE MEXICANS FOR THE PURCHASE OF THE REVERE PLANT AND ITS EXPANSION. ACCORDING TO O'DONNELL, IT WOULD BE \$30-\$50 MILLION CHEAPER FOR THE GOJ TO BUY THE EXISTING REVERE PLANT AND EXPAND IT TO A 571,000 TONS PER ANNUM CAPACITY, THAN TO CONSTRUCT A SIMILAR PLANT FROM SCRATCH. HENCE, A REVERE BUYOUT AND EXPANSION COULD BE AN ATTRACTIVE ALTERNATIVE TO CONSTRUCTION OF THE PLANNED JAVAMEX PLANT IN SOUTH MANCHESTER.

5. IF MANLEY HOLDS TO HIS WORD ON 100 PERCENT BAUXITE LEVY RELIEF FOR REVERE SHOULD IT HAVE TO CLOSE DOWN AT THE END OF THE YEAR, THE DANGER OF REVERE LOSING ITS MINIG RIGHTS WILL HAVE BEEN OBIATED (SEE PARA 7 REF B).

6. A POSSIBLE REVERE BUYOUT AND EXPANSION IS NOT WITHOUT ITS IMPLICATIONS FOR ALCOA, WHICH IS PUSHING THE IDEA OF GOVERNMENT PARTICIPATION IN THE EXPANSION OF ITS CLARENDON PLANT AS PART OF AN OVERALL PHASE II SETTLEMENT WITH THE GOJ.
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